

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re)	PROMESA
)	Title III
)	
THE FINANCIAL OVERSIGHT AND)	No. 17 BK 3283-LTS
MANAGEMENT BOARD FOR PUERTO RICO,)	
)	(Jointly Administered)
)	
As a representative of)	Re: Dkt. No. 3571, 3590, 3576, 3582, 3588,
)	4313, 4316, 4277, 4297, 4823, 4263, 4265
)	
THE COMMONWEALTH OF PUERTO RICO)	Hearing date: April 24, 2019 at 9:30 a.m.
<i>et al.</i> ,)	(Atlantic Standard Time)
)	
Debtors. ¹)	
)	

**FEE EXAMINER'S SUPPLEMENTAL REPORT AND STATUS REPORT ON
PRESUMPTIVE STANDARDS MOTION AND ON UNCONTESTED INTERIM FEE
APPLICATIONS RECOMMENDED FOR COURT APPROVAL AT OR BEFORE THE
OMNIBUS HEARING SCHEDULED FOR APRIL 24, 2019 AT 9:30 A.M. (AST)**

TO: HON. LAURA TAYLOR SWAIN,
UNITED STATES DISTRICT JUDGE

This supplemental report provides the Court with an update on discussions with retained professionals on hourly rate increases and, in addition, recommends 12 deferred uncontested interim fee applications for the Court’s approval at or before the April 24, 2019 omnibus hearing. Through the “**Fifth Interim Fee Period**” (October 1, 2018 through January 31, 2019) the fees

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the: (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and, (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

and expenses total more than \$360 million before consensual and approved reductions. The Fee Examiner will recommend many of those applications, with adjustments, for Court approval at or before the June 12, 2019 omnibus hearing.

The total fees and expenses incurred during the “**Third Interim Fee Period**” (February 1 through May 31, 2018) declined in the “**Fourth Interim Fee Period**” (June 1 through September 30, 2018) and will be yet again less for the Fifth Interim Fee Period. Though encouraging, that trend is probably not sustainable for a variety of reasons: the notable increase in contested issues, decisions on appeal, and the continuing increase in the number of retained professionals. Through the Fourth Interim Fee Period, the principal parties in these proceedings have retained 38 professional firms subject to PROMESA review, with the accompanying percentage of total fees and expenses shown here:

Principal Party	Percentage of Total Fees/Expenses Billed Through the Fourth Interim Fee Period	Total Professional Firms Engaged Through the Fourth Interim Fee Period
Financial Oversight and Management Board	39.19%	13
Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, including PREPA)	34.43%	10
Official Committee of Unsecured Creditors	14.15%	5
Official Committee of Retirees	5.24%	5
Puerto Rico Sales Tax Financing Corporation (COFINA) Agent	6.34%	4
Mediation Team	0.65%	1

Since the conclusion of the fourth interim period, the principal parties have engaged at least 9 additional professionals. This supplemental report also provides a brief summary of the status of several other matters that affect all of the professionals.

SUPPLEMENTAL REPORT

On March 6, 2019, the Fee Examiner filed the *Fee Examiner's Fourth Interim Report on Presumptive Standards Motion and on Professional Fees and Expenses (June 1, 2018-September 30, 2018): I. Re-Submission of Proposed Order Imposing Additional Presumptive Standards: Rate Increases and the Retention of Expert Witnesses or Other Sub-Retained Professionals; II. Summary of Uncontested Fee Applications for the Fourth Interim and Prior Compensation Periods; and III. Notice of Deferral of Specific Third and Fourth Applications for Consideration at the April 24, 2019 Omnibus Hearing or at a Later Date* [Dkt. No. 5409] (the “**Fourth Interim Fee Period Report**”). The Fourth Interim Fee Period Report recommended the approval of a total of 37 interim fee applications for the Second (October 1, 2017-January 31, 2018), Third (February 1, 2018-May 31, 2018), and Fourth (June 1, 2018-September 30, 2018) Interim Fee Periods. It also notified the Court, the parties and the public of the consensual deferral of a group of Second, Third, and Fourth Interim Fee Period applications for later consideration (the “**Deferred Interim Fee Applications**”).

On March 13, 2019, the Court held a hearing on the Fourth Interim Fee Period Report and, on March 14, 2019, the Court entered the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fourth Compensation Period from June 12 [sic] Through September 30, 2018* [Dkt. No. 5654] (the “**Fourth Interim Compensation Order**”).

The Fee Examiner now recommends for approval, on an uncontested basis, 12 deferred interim fee applications as outlined on **Exhibit A**. The remaining Deferred Interim Fee Applications, listed on **Exhibit C**, remain the subject of discussions. Those applications will, with the continued consent of the applicants and with the Court's permission, be deferred for consideration to the June 12, 2019 omnibus hearing or a later date.

One professional, Pension Trustee Advisors, Inc., pension consultant to the Financial Oversight and Management Board, has completed its work on these cases and submitted its final fee application requesting \$222,138.25 in final fees and \$8,438.81 in final expenses [Dkt. No. 4823]. This professional has, in connection with its four prior interim applications, agreed to fee and expense deductions to address the Fee Examiner's modest concerns. The Fee Examiner now recommends the Court's approval of the final fee application as finally adjusted and outlined on the attached **Exhibit B**.

Professionals began filing Fifth Interim Fee Period applications on or around March 18, 2019. The Fee Examiner expects to report on those applications in connection with the June 12 and July 24, 2019 omnibus hearings.

Since the March 13, 2019 hearing, the Fee Examiner and counsel have continued an extended dialogue with professionals subject to the Title III review process. The fee review process and findings outlined in the previous reports apply with equal force to the deferred interim fee applications now recommended for Court approval, as adjusted and as outlined on the attached **Exhibits A and B**.

STATUS REPORT

Additional Presumptive Standards Motion

On November 27, 2018, the Fee Examiner filed the *Fee Examiner's Motion to Impose Additional Presumptive Standards: Rate Increases and the Retention of Expert Witnesses or Other Sub-Retained Professionals* [Dkt. No. 4370] (the "**Additional Presumptive Standards Motion**"). At the December 19, 2018 omnibus hearing, the Court denied the Additional Presumptive Standards Motion without prejudice [Dkt. No. 4516], requesting that the professionals and the Fee Examiner continue their discussions of the hourly rate increase issue in light of the Court's observations and comments on that subject.

After conferring extensively with the professionals and conducting additional review of 2018 industry data, on March 6, 2019, the Fee Examiner filed a revised proposed order [Dkt. No. 5409, Exh. C] for consideration at the March 13, 2019 omnibus hearing. On March 12, 2019, the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) filed a limited response and reservation of rights [Dkt. No. 5572], suggesting the proposed quantitative rate increase presumption should be two percent. In the spirit that has characterized fee discussions, the Fee Examiner agreed to adjourn consideration of the proposed order and to continue discussions with interested parties. Additional meetings on the subject are scheduled in San Juan the day before the April 24, 2019 omnibus hearing. Pending those discussions, the Fee Examiner asks for one further adjournment of the Additional Presumptive Standards Motion to the June 12, 2019 omnibus hearing, reserving the right to respond formally to the filed comments prior to that hearing. The primary impact of the rate increase issue arises in the Fifth Interim Fee Period for most professionals, so the deferral of a resolution on the issue does not prejudice any professional or the review process. The Fee Examiner continues to raise and, where appropriate, negotiate rate increases to consensual resolution.

Tax Withholding

Late last year, the Commonwealth amended its tax code, imposing, among other things, a 29 percent tax (and a corresponding withholding) on professional services provided off-island. The potential impact on professionals in the Title III cases led to extensive discussion among the parties, the professionals, and the Fee Examiner. Professionals held varying opinions on the new law's applicability, depending on each professional firm's structure, client, domicile, and terms of engagement. The Fee Examiner will await formal guidance from the taxing authority prior to making specific recommendations, if any, on this issue. Like the rate increase issue, the impact of the tax, if any, inures effective January 1, 2019—in the reporting cycle that will begin in June.

Hearing Attendance

The Fee Examiner and counsel will attend the April 24, 2019 omnibus hearing in San Juan to address any of the Court's questions or concerns regarding professional fees. Before and after the hearing, they will meet with representatives of AAFAF, the Oversight Board, and others on the issues addressed here.

Dated: April 17, 2019.

WE HEREBY CERTIFY that on this date, we electronically filed the foregoing motion with the Clerk of the Court using the CM/ECF system that will send notification of such filing to all attorneys of record registered in the use of the CM/ECF system.

EDGE LEGAL STRATEGIES, PSC

s/Eyck O. Lugo

Eyck O. Lugo
252 Ponce de León Avenue
Citibank Tower, 12th Floor
San Juan, PR 00918
Telephone: (787) 522-2000
Facsimile: (787) 522-2010

Puerto Rico Counsel for Fee Examiner

GODFREY & KAHN, S.C.
One East Main Street, Suite 500
Madison, WI 53703
Telephone: (608) 257-3911
Facsimile: (608) 257-0609

Brady Williamson (*Pro Hac Vice*)
Fee Examiner

Katherine Stadler (*Pro Hac Vice*)
Counsel for the Fee Examiner

20489876.1

Third - Fourth Interim Fee Period Applications Recommended for Approval:

	Applicant	Compensation Period	Interim Fees Requested	Fee Examiner's Recommended Fee Adjustments	Interim Expenses Requested	Fee Examiner's Recommended Expense Adjustments	Interim Fees Recommended for Approval	Interim Expenses Recommended for Approval	
	<i>Counsel for Debtors - COFINA</i>								
1-a	Proskauer Rose [Dkt. No. 3571]	2/01 - 5/31/2018	\$ 94,488.00	\$ 4,717.80	\$ 4,277.94	\$ 326.11	\$ 89,770.20	\$ 3,951.83	
	<i>Counsel for Debtors - ERS</i>								
1-b	Proskauer Rose [Dkt. No. 3590]	2/01 - 5/31/2018	\$ 445,503.70	\$ 22,244.05	\$ 16,638.88	\$ 1,268.38	\$ 423,259.65	\$ 15,370.50	
	<i>Counsel for Debtors - HTA</i>								
1-c	Proskauer Rose [Dkt. No. 3576]	2/01 - 5/31/2018	\$ 1,219,419.80	\$ 60,885.77	\$ 40,404.55	\$ 3,080.05	\$ 1,158,534.03	\$ 37,324.50	
	<i>Counsel for Debtors - PREPA</i>								
1-d	Proskauer Rose [Dkt. No. 3582]	2/01 - 5/31/2018	\$ 3,246,887.10	\$ 162,117.43	\$ 169,316.96	\$ 12,907.06	\$ 3,084,769.67	\$ 156,409.90	
	<i>Counsel for Debtors - Commonwealth</i>								
1-e	Proskauer Rose [Dkt. No. 3588]	2/01 - 5/31/2018	\$ 5,434,013.80	\$ 271,320.91	\$ 286,122.56	\$ 21,811.17	\$ 5,162,692.89	\$ 264,311.39	
	<i>Puerto Rico Counsel to FOMB</i>								
2	O'Neill & Borges LLC [Dkt. No. 4313]	6/01 - 9/30/2018	\$ 442,234.80	\$ 1,502.00	\$ 6,001.18	\$ 300.00	\$ 440,732.80	\$ 5,701.18	
	<i>Puerto Rico Counsel to AAFAF - Commonwealth</i>								
3	Marini Pietrantonio Muniz LLC [Dkt. No. 4316 -- 17-03284 Dkt. No. 358 -- 17-03567 Dkt. No. 532 -- 17-03566 Dkt. No. 350]	6/01 - 9/30/2018	\$ 410,887.45	\$ 2,067.30	\$ 8,725.44	\$ -	\$ 408,820.15	\$ 8,725.44	
	<i>Counsel to AAFAF and Puerto Rico Treasury Department</i>								
4	DLA Piper [Dkt. No. 4277]	6/01 - 9/30/2018	\$ 389,904.00	\$ 19,761.21	\$ 11,379.97	\$ -	\$ 370,142.79	\$ 11,379.97	
	<i>Counsel for PREPA and AAFAF - PREPA</i>								
5	Greenberg Traurig [Dkt. No. 4297 -- 17-04780 Dkt. No. 1028]	6/01 - 9/30/2018	\$ 1,426,499.46	\$ 26,951.58	\$ 27,433.16	\$ 10,943.21	\$ 1,399,547.88	\$ 16,489.95	
	<i>Advisors to FOMB</i>								
6	Pension Trustee Advisors, Inc. [Dkt. No. 4823]	6/01 - 10/31/2018	\$ 152,620.00	\$ 2,330.27	\$ 4,403.93	\$ 63.95	\$ 150,289.73	\$ 4,339.98	
	<i>Counsel for COFINA Agent</i>								
7	Willkie Farr & Gallagher LLP [Dkt. No. 4263]	6/01 - 9/30/2018	\$ 730,672.54	\$ 18,610.36	\$ 15,977.71	FN1 \$ 192.23	\$ 712,062.18	\$ 15,785.48	FN2
	<i>Special Municipal Bankruptcy Counsel for COFINA Agent</i>								
8	Klee, Tuchin, Bogdanoff & Stern LLP [Dkt. No. 4265]	6/01 - 9/30/2018	\$ 343,458.50	\$ 6,591.53	\$ 4,535.89	\$ 23.42	\$ 336,866.97	\$ 4,512.47	FN2

FN1 - This expense request excludes \$26,325.00 in requested expert witness fees, which have been deferred for consideration and reporting in a subsequent Fee Examiner report.

FN2 - The Fee Examiner reserves, for consideration and discussion in connection with final fee applications, all rights with respect to the issue of duplication of efforts between the COFINA Agent's two law firms. Final fee applications in the COFINA case are due June 12, 2019.

FINAL Fee Application Recommended for Approval:

Applicant	Compensation Period	Final Fees Requested	Fee Examiner's Recommended Fee Adjustments	Final Expenses Requested	Fee Examiner's Recommended Expense Adjustments	Final Fees Recommended for Approval	Final Expenses Recommended for Approval
<i>Advisors to FOMB</i>							
1 Pension Trustee Advisors, Inc. [Dkt. No. 4823]	7/29/2017 - 10/31/2018	\$ 222,138.25	\$ 4,324.88	\$ 8,438.81	\$ 63.95	\$ 217,813.37	\$ 8,374.86

Second - Fourth Interim Fee Period Applications Recommended for Deferral
until June 12, 2019 omnibus hearing:

	Applicant	Compensation Period	Interim Fees Requested	Fee Examiner's Recommended Fee Adjustments	Interim Expenses Requested	Fee Examiner's Recommended Expense Adjustments	Interim Fees Recommended for Approval	Interim Expenses Recommended for Approval
	<i>Financial Advisors to the Puerto Rico Fiscal Agency and Financial Advisory Authority</i>							
1-a	Ankura Consulting Group, LLC [Dkt. No. 2751]	10/01 - 1/31/2018	\$ 3,937,979.00		\$ 175,457.10			
	<i>Financial Advisors to PREPA</i>							
1-b	Ankura Consulting Group, LLC [Dkt. No. 2755]	10/01 - 1/31/2018	\$ 3,475,283.50		\$ 153,684.90			
	<i>Financial Advisors to Commonwealth</i>							
2-a	Ankura Consulting Group LLC [Dkt. No. 3564]	2/01 - 5/31/2018	\$ 2,002,323.50		\$ 128,217.60			
	<i>Financial Advisors to PREPA</i>							
2-b	Ankura Consulting Group LLC [Dkt. No. 918 -- 17-04780; First Amended Dkt. No. 3658]	2/01 - 5/31/2018	\$ 3,325,832.00		\$ 261,639.11			
	<i>Investment Banker and Financial Advisor to FOMB</i>							
3	Citigroup Global Markets Inc. [Dkt. No. 4020]	2/01 - 5/31/2018	\$ 1,803,571.43		\$ 40,912.98			
	<i>Bankruptcy Counsel to Debtors - Commonwealth</i>							
4-a	Proskauer Rose LLP [Dkt. No. 4280]	6/01 - 9/30/2018	\$ 8,001,864.20		\$ 228,540.36			
	<i>Bankruptcy Counsel to Debtors - COFINA</i>							
4-b	Proskauer Rose LLP [Dkt. No. 4279 -- 17-03284 Dkt. No. 348]	6/01 - 9/30/2018	\$ 1,177,407.10		\$ 59,541.78			
	<i>Counsel for Debtors - HTA</i>							
4-c	Proskauer Rose [Dkt. No. 4284 -- 17-03567 Dkt. No. 528]	6/01 - 9/01/2018	\$ 1,349,179.70		\$ 40,907.03			
	<i>Counsel for Debtors - ERS</i>							
4-d	Proskauer Rose [Dkt. No. 4292 -- 17-03566 Dkt. No. 345]	6/01 - 9/30/2018	\$ 624,262.00		\$ 10,753.07			
	<i>Counsel for Debtors - PREPA</i>							
4-e	Proskauer Rose [Dkt. No. 4287 -- 17-04780 Dkt. No. 1026]	6/01 - 9/30/2018	\$ 1,081,438.70		\$ 28,931.16			
	<i>Chief Financial Advisor to PREPA</i>							
5	Filsinger Energy Partners [Dkt. No. 4240 -- 17-04780 Dkt. No. 1022]	6/01 - 9/30/2018	\$ 4,658,183.60		\$ 343,922.99			
	<i>Puerto Rico Counsel to PREPA</i>							
6	Cancio, Nadal, Rivera & Diaz, PSC [Dkt. No. 4232 -- 17-04780 Dkt. No. 1021]	6/01 - 9/30/2018	\$ 378,910.00		\$ 133.13			
	<i>Financial Advisors to Commonwealth</i>							
7-a	Ankura Consulting Group, LLC [Dkt. No. 4358]	6/01 - 9/30/2018	\$ 2,373,633.63		\$ 199,003.27			
	<i>Financial Advisors to PREPA</i>							
7-b	Ankura Consulting Group, LLC [Dkt. No. 1048 -- 17-04780]	6/01 - 9/30/2018	\$ 2,779,593.00		\$ 216,596.27			
	<i>Investment Banker and Financial Advisor to FOMB</i>							
8	Citigroup Global Markets Inc. [Dkt. No. 4897]	6/01 - 9/30/2018	\$ 1,975,000.00		\$ 20,450.63			
	<i>Counsel to AAFAF - Commonwealth</i>							
9-a	O'Melveny & Myers [Dkt. No. 4298]	6/01 - 9/30/2018	\$ 4,967,118.86		\$ 125,613.01			
	<i>Counsel to AAFAF - COFINA</i>							
9-b	O'Melveny & Myers [Dkt. No. 4283 -- 17-03284 Dkt. No. 350]	6/01 - 9/30/2018	\$ 1,339,632.66		\$ 4,436.91			
	<i>Counsel to AAFAF - HTA</i>							
9-c	O'Melveny & Myers [Dkt. No. 4286 -- 17-3567 Dkt. No. 527]	6/01 - 9/30/2018	\$ 54,282.40		\$ 1,225.20			
	<i>Counsel for AAFAF - ERS</i>							
9-d	O'Melveny & Myers [Dkt. No. 4288 -- 17-03566 Dkt. No. 346]	6/01 - 9/30/2018	\$ 184,302.74		\$ 5,587.39			
	<i>Counsel to AAFAF - PREPA</i>							
9-e	O'Melveny & Myers [Dkt. No. 4327 -- 17-04780 Dkt. No. 1030]	8/10 - 9/30/2018	\$ 407,832.68		\$ 4,650.14			